



June 20, 2018

Mayor James Roberson
Mayor Pro Tempore Randy Young
Councilor Jessica Day
Councilor Mark Swan
Councilor Dustin Tripp
Councilor Pete Mangum

FISCAL YEAR (FY) 2018-2019 BUDGET MESSAGE

Honorable Mayor and Town Council:

Submitted for your consideration is the proposed budget for the fiscal year beginning July 1, 2018. This budget has been prepared in accordance with the North Carolina Local Government Budget and Fiscal Control Act (G.S. 159-8(a)). The budget is balanced and identifies all revenue and expenditure estimates for Fiscal Year (FY) 2018-2019 per G.S. 159-8(b).

OVERVIEW & ACCOMPLISHMENTS

The General Fund is the chief operating fund of the Town of Knightdale. The FY2016-17 Audit reported an unassigned, general fund balance of \$6,322,681 or 50.62% of total general fund expenditures for the fiscal year. General Fund health continues to be strong for Knightdale. Property tax revenues increased 5.17% while sales tax revenue increased by 6.40%. The Town also transferred \$983,576 from the General Fund to the Capital Reserve Fund.

The Town operates a Capital Reserve Fund designed to proactively meet the capital needs necessitated by the growth of the area. Capital Reserves are funded by a dedication of \$0.025 of the tax levy and General Fund revenues in excess of 40%. For FY2016-17, the Capital Reserve Fund had a balance of \$4,667,220 with \$1,048,162 restricted for local street improvements.

Knightdale no longer owns or operates a water and sewer utility. Our Utility Fund is literally a shell of its former self. Utility fees are collected by Knightdale and remitted to the City of Raleigh as a condition of the utility merger agreement between the municipalities. Of significant importance, the Town completed its merger agreement with the City of Raleigh Utility in 2018. This merger completion is the realization of a 12-year investment for Knightdale. The Raleigh Public Utilities Department provides water and sewer service to approximately 195,000 meters serving approximately 570,000 residents in Raleigh, Garner, Wake Forest, Rolesville, Knightdale, Wendell, and

Zebulon. The merger ensures water and sewer capacity for Knightdale to meet the Town's current and future needs.

Knightdale has two, primary restricted revenue sources, the Stormwater Utility Fund and the North Carolina State Street-Aid (Powell Bill) Program, that are essential funding mechanisms to meet the increasing needs of its urbanizing environment. In FY2016-17, restricted intergovernmental revenues of \$677,588 accounted for 5.03% of total governmental activities' revenues. The Stormwater Utility is funded by a \$2.00 monthly, residential unit fee that generated \$293,413. The Powell Bill revenues were \$348,925. This amount was approximately a 0.77% increase from the previous fiscal year. Powell Bill revenues are the primary resource for the maintenance of local right-of-ways in Knightdale.

The Town continues to demonstrate strong fiscal management and oversight. The current year's fiscal statements indicate positive, revenue equity for the General, Stormwater Utility and Powell Bill Funds. Staff is confident that the FY2017-18 Audit will continue to demonstrate the town's historical adherence to fiscal responsibility while meeting the needs of the citizenry. Staff maintains an annual, commitment to the budget development process that focuses on providing high quality services in an efficient manner, working within the limits of our existing revenue sources.

For FY2017-18, several significant projects were initiated and/or completed:

- Completion of the Utility System Merger with the City of Raleigh.
- Initiation of Knightdale Station Park, Phase III construction, including a Veterans' Memorial, and Performance Stage.
- Award of a \$1,000,000 Hospitality Tax Small Capital Projects Grant from Wake County for a future, soccer complex.
- Award of a Community Development Block Grant with Wake County for a future Splashpad.
- Update of the Knightdale Comprehensive Development Plan.
- Approval of a Design-Build Project for a new, Public Works Facility.
- Improvements to Track-Out Camp and the Community Pool.



Knightdale Station Park, Phase III

As in previous years, the major emphasis of this budget is to maintain current service levels and explore any options for reducing current expenditures. Town staff will maintain our commitment to being conservative in our revenue projections and prudent in use of town funds. It is extremely important that Knightdale does everything possible to develop and maintain a strong financial position in the management of daily operations and in which the Town Council chooses to implement capital improvements.

ORGANIZATIONAL GOALS

The Town Council held its second, annual Strategic Planning Retreat on February 18, 2018 to evaluate the diverse issues facing Knightdale as the town continues to grow rapidly. This annual retreat serves as the primary tool for establishing organizational priorities for the upcoming fiscal year(s). Retreats are a commonly recognized, best practice for local governments to improve efficiency in communication and effectiveness in governance. The retreat serves as an excellent opportunity for the elected officials to build consensus and discuss differences. Staff utilizes the annual budget as a tool to effectively ensure that the retreat's goals are met.

The Town Council conducted a Strengths, Weaknesses, Opportunities, and Threats (S.W.O.T.) analysis to establish a collective vision of the Town's current, landscape at the 2017 retreat. As a result, thirty (30) strategic goals were adopted for completion. Town staff completed (or is in-progress) 90% of the goals established by the Council. Unsuccessful goals will be carried forward for completion in 2018.

The Town Council recognized that Knightdale's quality of life and location in the Triangle region are the primary reasons for the Town's continued growth and prosperity. The Council continues to recognize the challenges to meet service expectations and the need for quality development that growth pressure presents to our community. As such, the following areas are a sample of the strategic priorities for Knightdale:

- Amend Development Regulations to Adequately Meet Growth Management Needs
- Enhance Economic Development Incentives and Opportunities
- Develop a Plan for Parks & Greenway Maintenance
- Support Local Education Initiatives
- Construct Knightdale Station Village
- Ensure Fiscal Health of Town
- Expand Pedestrian and Biking Options
- Utilize Conditional Zoning Approach to Development Approvals
- Focus on Improvement of Existing Services
- Expand Community Activities and Programs to Serve All Knightdale Citizens
- Evaluate Need for a Local Transportation Plan
- Improve Communication of Town Services and Responsibilities to all Stakeholders
- Explore Opportunities / Strategies to Support Small Businesses

REVENUE SUMMARY

Town staff is not recommending an increase to the ad valorem (property) tax rate for FY2017-18. The property tax levy, based on a tax rate of \$0.43 per \$100 dollars assessed, generates approximately \$7,548,882 based on a total property valuation of \$1,555,889,302. Property tax revenue will increase 5.78% and total property valuation will increase 5.04% from the previous fiscal year. For FY2017-18, Knightdale offered the 5th lowest property tax rate of the 15 municipalities in Wake County.

Staff is not recommending an increase to the solid waste collection rate with Waste Industries, Inc. for FY2017-18. The current, monthly rate is \$11.08 for solid waste and \$3.75 for recycling.

The Town of Knightdale completed its Utility Merger Agreement with the City of Raleigh in FY2017-18. The merger allows Knightdale to provide improved, water and sewer services at the lowest possible cost to our citizens. It also ensures adequate water and sewer capacity for current and future needs. Because of the completion of the merger completion, residents will no longer pay a monthly, surcharge on their utility bills. The City of Raleigh Public Utilities Department is recommending a 1.6% rate increase to the Raleigh City Council for FY2018-19.

Knightdale will continue to operate a Stormwater Utility Fund in FY2018-19. Staff is recommending an increase in the monthly, unit cost of \$2.00 to \$4.00 for an estimated \$504,596 in revenues for the upcoming fiscal year. The proposed increase of \$4.00 is the current, state median for monthly, stormwater fees. The proposed increase was recommended in a recent assessment of the Stormwater Utility Fund to meet the Town's current and future stormwater needs.

FY 2017-18 Property Tax Rates

Rank	City/Town	Tax Rate
1.	Cary	0.35
2.	Apex	0.38
3.	Morrisville	0.39
4.	Raleigh	0.4183
5.	Knightdale	0.43
6.	Holly Springs	0.4325
	Fuquay Varina	0.4325
8.	Rolesville	0.48
9.	Wendell	0.49
10.	Wake Forest	0.52
11.	Angier	0.53
12.	Garner	0.5325
13.	Clayton	0.55
14.	Zebulon	0.575
15.	Durham	0.5786

Source: Wake County Tax Office

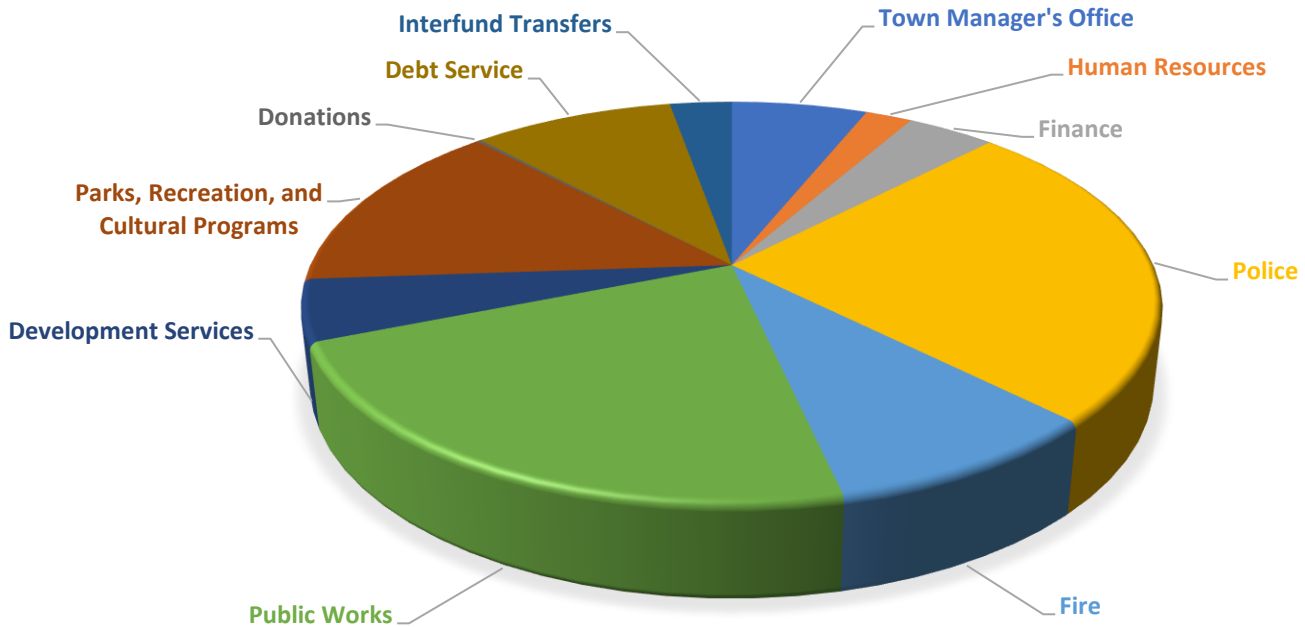
Staff will continue to utilize a comprehensive fee schedule for all Town services in FY2018-19. A comprehensive fee schedule has been an effective tool for our stakeholders to centrally access all town-related fees. Minor changes are proposed in the fee schedule for the upcoming fiscal year to place a greater emphasis on reduced rates for town residents versus non-tax paying users.

EXPENDITURE SUMMARY

GOVERNMENT SERVICES

The General Fund is the funding mechanism for government services that most, commonly affect the citizenry on a daily-basis. Debt Service represents approximately 9% of the total General Fund appropriations for the FY2017-2018 Budget.

FY2018-19 GOVERNMENT SERVICES



The Departmental appropriations are as follows:

Department	FY18-19 Budget	Percentage
Town Manager's Office	\$962,982	6.11%
Human Resources	\$330,434	2.10%
Finance	\$627,100	4.0%
Police	\$3,956,462	25.11%
Fire	\$1,417,934	9.0%
Public Works	\$3,519,095	22.34%
Development Services	\$774,149	4.91%
Parks, Recreation and Cultural Programs	\$2,201,735	14.0%
Donations to Outside Agencies	\$29,750	0.19%
Debt Service	\$1,427,678	9.06%
Interfund Transfers	\$438,715	2.78%
Total Expenditures	\$15,753,394	-

PERSONNEL

The FY2018-19 Budget creates the following positions to assist in meeting the growing needs of the Town:

- Assistant Finance / Finance Director
- 2 Police Officers
- Human Resources Technician

A 2% merit pool is recommended for all departments for FY2018-19. Staff is also recommending implementing the results of bi-annual, salary survey. Implementation of the survey is \$128,352 affecting twenty-five (25) positions. The Town conducts the survey to ensure that our compensation is competitive with the Triangle market in a proactive effort to attract and retain qualified professionals.

The employer contribution retirement rates were 7.5% for general employees and 8.25% for police officers in FY2017-18. These rates will be 7.78% and 8.5% for police officers in the upcoming fiscal year.

Employee healthcare costs were \$650 per month, per employee in FY2017-18. The proposed cost for FY2018-19 is \$700 per month, a 7.75% increase. These numbers include an incentive of \$100 per month for participation in the town's annual health screenings and this year we had 100% participation. The monthly funding includes a choice of 2 health plans as well as dental and vision coverage. We are continuing to offer a lower deductible by embedding a Health Reimbursement Account (HRA) option as well as funding each employee's medical Flexible Spending Account (FSA) with \$500.

CAPITAL PROJECTS AND IMPROVEMENTS

The FY2018-19 General Fund Budget creates funding for the following major projects:

Knightdale Station Park Phase III and Village Project (\$3,600,000)

This project is the final phase of Knightdale Station Park and includes construction of a performance stage and Veterans' Memorial. Knightdale Station Village is a public-private partnership program that will include the construction of a mixed-use development adjacent to the park.

Mingo Creek Greenway Extension (\$2,400,000)

The extension of the Mingo Creek Greenway is approximately a 1-mile connector that will link Mingo Creek Park with Knightdale Station Park. The project is funded through grant proceeds from the Capital Area Metropolitan Planning Organization CAMPO.

Public Works Facility (\$2,500,000)

The future Public Works Facility will be located on Bozeman Drive. The project was awarded under the design-build statutory authority, GS 143.128-1A. The facility will feature:

- 7,750 sq. ft. of office and warehouse space
- 4,800 sq. ft. - fleet maintenance shop
- 6,000 sq. ft. of open air, covered equipment storage

Forestville Road Athletic Park, Phase 1 (1,000,000)

Phase 1 of the project includes five (5) regulation soccer fields. The project also includes new road construction into the site and improvements to Old Crews Road. The project also includes adequate on-site parking. Sidewalk and walking trails will be constructed as well to complement the site. A new, maintenance facility and appropriate stowmwater facilities complete the first phase of the project.

Harper Park Improvements (\$750,000)

The Harper Park Project will renovate the two, existing tennis courts and construct two, new courts. The project also includes the construction of a pickleball court and a new reception building with restrooms.

Splashpad at Knightdale Station Park (\$575,000)

The Splash Pad will be approximately 45' x 40' and located within Knightdale Station Park. The project is being funded through Community Development Block Grant (CDBG) proceeds.



Harper Park

DEBT SERVICE

Knightdale has the following annual principal and interest requirements for debt service for the upcoming fiscal year:

General Fund Debt Service

Debt Name	FY2017-18 Payment	Completion Year (fiscal year)
GO Parks and Rec GO Bonds	\$243,340	2029
Recreation Center Bonds	\$59,014	2022
Knightdale Park, Phase 1	\$411,000	2028
Public Safety Building	\$168,341	2021
Fire Apparatus	\$41,418	2018
2015 Vehicles	\$60,645	2018
Finance Software	\$16,192	2020
Knightdale Station Park, Phase III	245,250	2028
Total Debt Service Payments	\$1,203,782	

Water/Sewer Fund Debt Service

Debt Name	FY2017-18 Payment	Completion Year (fiscal year)
2002 Water & Sewer Bonds	\$165,237	2022

SUMMARY

The Town of Knightdale was productive and made significant accomplishments toward several projects while maintaining fiscal responsibility during FY2017-18. As in previous years, the town's current needs are similar to those of other suburban jurisdictions in the Triangle area. Knightdale is fortunate to enjoy a rapidly developing corridor along US 264 and I-540. This transportation corridor in conjunction with the amenities of the greater Raleigh region continue to be attractive assets to the current and future residents of Knightdale. The continued development of Eastern Wake County will greatly impact our town for the foreseeable future. The Town Council and staff will dedicate the necessary resources to strengthening Knightdale's regulatory environment in order to ensure an increasing quality of life for our citizenry.

The FY2018-19 Town of Knightdale Budget provides the financial resources to continue to facilitate positive change in greater Knightdale. It improves existing service levels while providing the funding necessary to strengthen our regulatory environment, invest in recreational amenities, and expand / renovate town-owned properties. This budget attempts to hold down expenditures wherever possible but at the same time recognizes the needs of our community.

Respectfully submitted,



Bill Summers, ICMA-CM
Town Manager